



Consumers Energy

Count on Us

David W. Joos

President and Chief Executive Officer of CMS Energy Corporation
Chief Executive Officer of Consumers Energy

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Consumers Energy

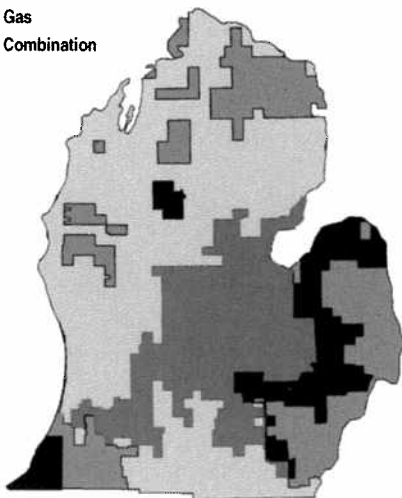
Topics of Testimony

- Consumers Energy state of the business
- Meeting Michigan's energy needs
- Impact of PA 141

DWJ 1

Consumers Energy

 Electric
 Gas
 Combination

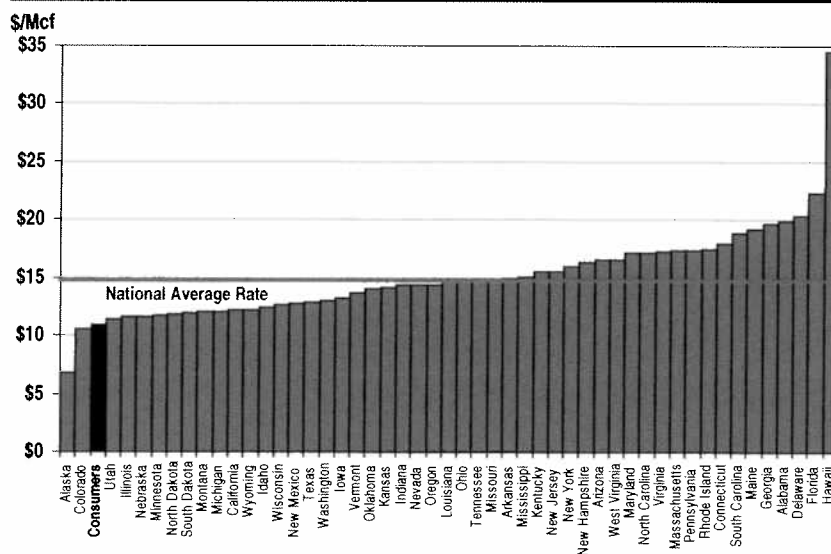


- Provides reliable electric and natural gas service to 6.5 million of the state's 10 million residents
- Recognized for superior service – winner of J. D. Power awards for 3 of the past 5 years
- Competitive rates

DWJ 2

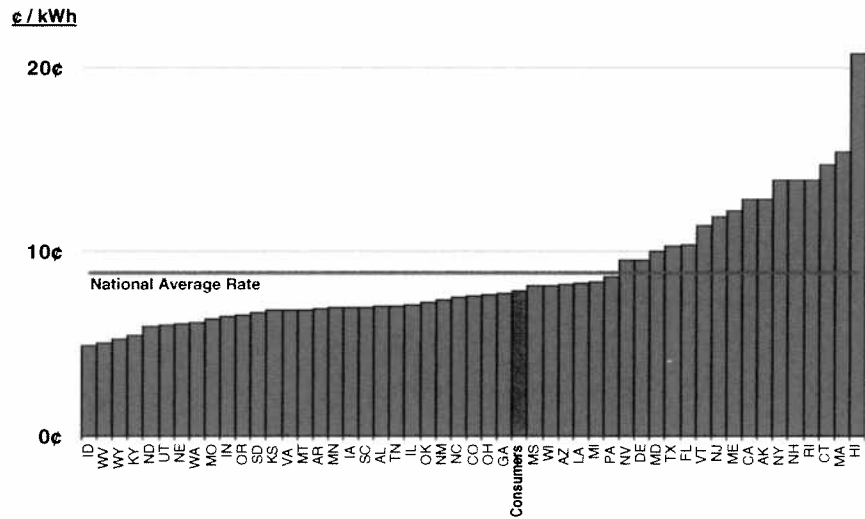
Consumers Energy

2006 Average Residential Natural Gas Price



DWJ 3

2006 Average Retail Electric Rates



DWJ 4

CMS Energy Asset Sales



DWJ 5

Consumers Energy Investment

- Prepared to invest in Michigan
- Improve gas and electric distribution reliability
- Invest in technology to:
 - improve customer service
 - better manage electric demand
- Invest in needed new power plants in Michigan

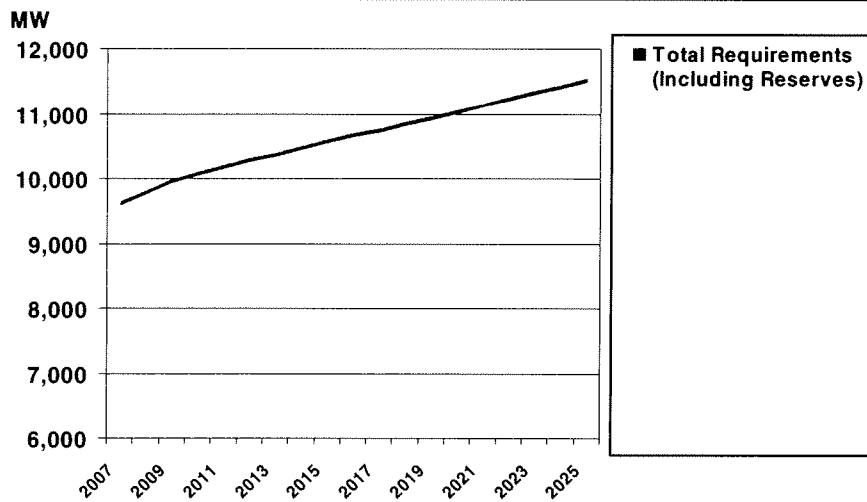
DWJ 6

21st Century Energy Plan

- Foundation for comprehensive energy policy legislation
- Concludes Michigan faces electric supply shortfall

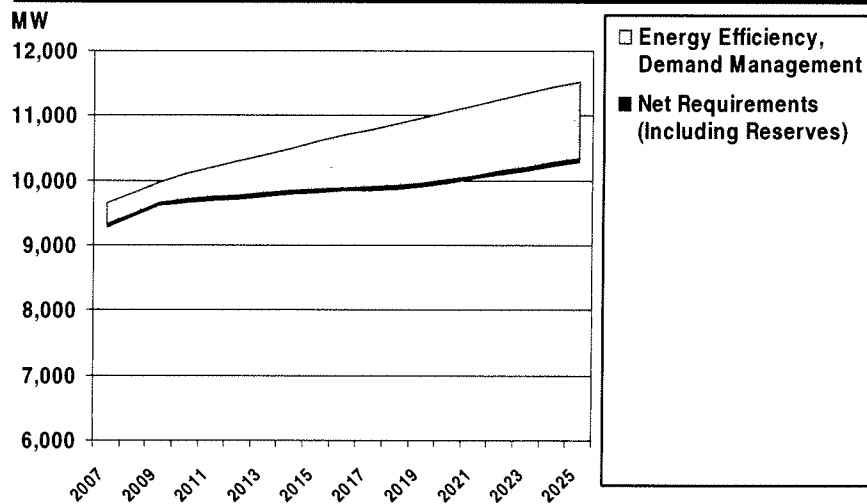
DWJ 7

Capacity Shortfall



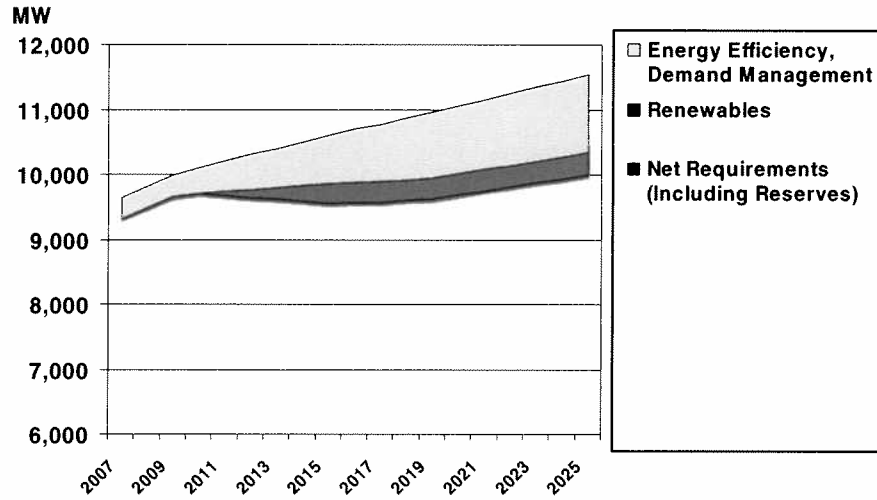
DWJ 8

Capacity Shortfall



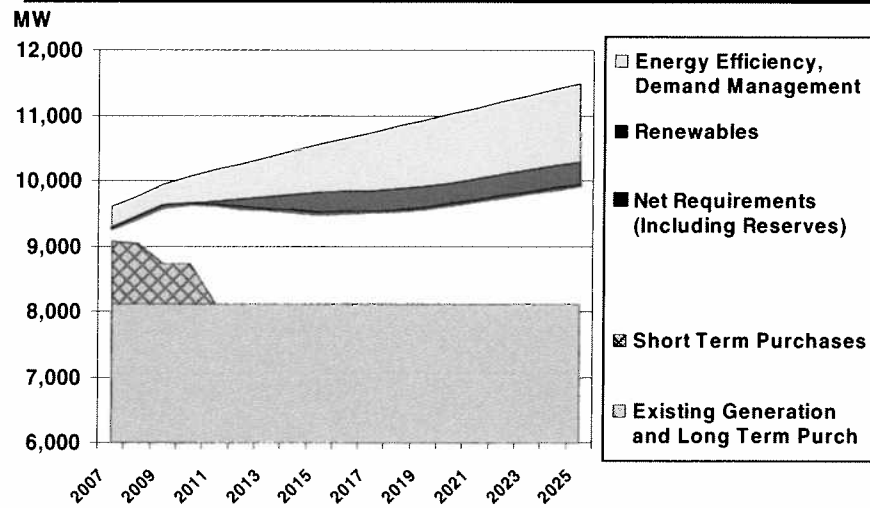
DWJ 9

Capacity Shortfall



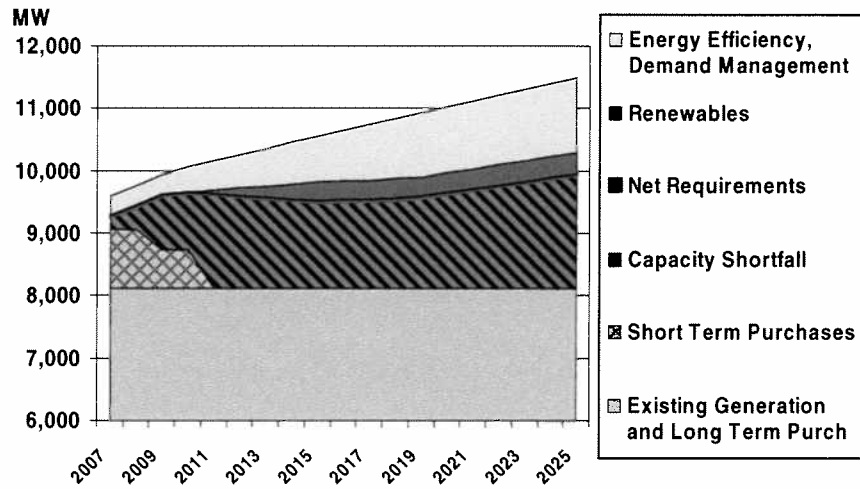
DWJ 10

Capacity Shortfall



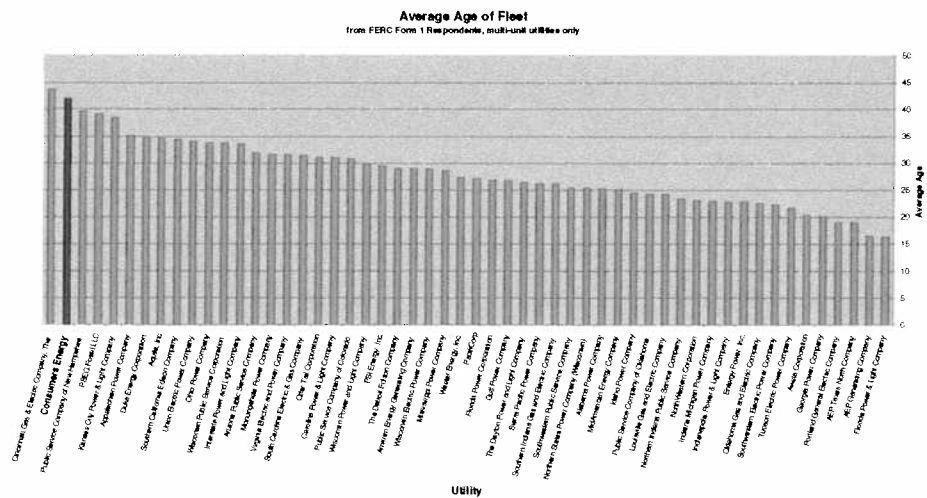
DWJ 11

Capacity Shortfall



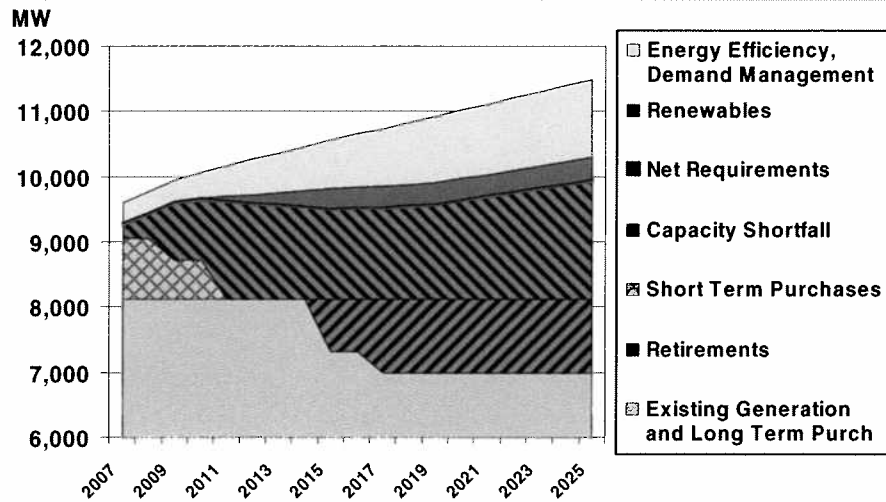
DWJ 12

Comparative Age of Power Plants



DWJ 13

Capacity Shortfall



DWJ 14

Balanced Energy Initiative

- Responsive to the 21st Century Energy Plan
- Extensive analysis of alternatives to meet customer energy needs
- Advocates energy efficiency, conservation and demand management
- Proposes expansion of Green Generation
- Details plan for new generating plants
- Identifies needed policy changes

DWJ 15

PA 141

- Intended to move state to open-market system
- Created hybrid regulatory structure
- Fewer than one out of every 3,000 of our customers chooses different supplier (<3 percent of our load)
- Hybrid structure does not support investment in new baseload capacity

DWJ 16

PA 141 Alternatives

- Fully deregulate electric generation
- Retain but limit and modify hybrid model
- Return to traditional regulation

DWJ 17

Full Deregulation

- Maximizes competition
- Customers exposed to higher and more volatile costs
- Some states returning to regulation

DWJ 18

Limit and Modify "Hybrid"

- Restrictions on returning customers
 - notice period
 - market-based prices
- Future "choice" customers bear share of new generation costs
- Limit customer load on choice
- Level playing field
 - eliminate rate subsidies
 - consistent environmental requirements
 - consistent taxes
 - consistent reserve requirements

DWJ 19

Traditional Regulation

- MPSC oversight
- Pre-approval process for new generation
- Minimizes financing costs